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BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 91-223-W - ORDER NO. 91-1065 ✓
DECEMBER 2, 1991

IN RE: Application of Richard Singleton DBA)
Wessex Water Company for Approval to) ORDER
Operate a Water System and for Approval) APPROVING
of a Schedule of Rates and Charges for) SERVICE AREA
Water Service Provided to Customers in) AND RATES
Sumter County, South Carolina.) AND CHARGES

By Application filed April 11, 1991, Richard Singleton DBA Wessex Water Company (Wessex or the Company) seeks approval to operate a water system and to implement a schedule of rates and charges for water service provided to its customers in Sumter County, South Carolina. The Application was filed pursuant to S.C. Code Ann. §58-5-240 (Supp. 1990) and 26 S.C. Regs. §103-821 (1976).

Subsequent to the initiation of this proceeding, the Executive Director of the Commission instructed the Applicant to cause to be published a prepared Notice of Filing in certain newspapers of general circulation in the affected area and to furnish the same information to each customer. The Notice of Filing indicated the nature of the Application and advised all interested parties desiring to participate in the proceeding of the manner and time in which to file the appropriate pleadings. A

Petition to Intervene was filed by the Consumer Advocate for the State of South Carolina (the Consumer Advocate).

A public hearing was held in the offices of the Commission on October 1, 1991, at 11:00 a.m. A panel of three Commissioners was appointed to hear and rule on this matter pursuant to S.C. Code Ann. §58-3-95 (Supp. 1990). The Honorable Cecil A. Bowers presided. The other members of the hearing panel were Commissioners Yonce and Mitchell. The Company was represented by William E. Booth, III, Esquire; the Consumer Advocate was represented by Elliott F. Elam, Jr., Esquire; and the Commission Staff was represented by Gayle B. Nichols, Staff Counsel. Richard Singleton, owner of the Company, testified on behalf of Wessex. Neither the Consumer Advocate nor the Commission Staff presented the testimony of any witnesses.

After a thorough consideration of the Application, the evidence, and the applicable law, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. Wessex was formed in 1987 and since that time has been providing water service without charge to customers in the Wessex Subdivision located near the Town of Wedgefield along South Carolina Highway 763 in Sumter County, South Carolina. Currently, Wessex serves 38 mobile home customers.

2. Wessex's water is pumped from two deep wells, each with a 70 gallons per minute rating. A 10,000 gallon hydropneumatic storage tank is used for storage and pressure. Presently, Wessex

has approval from the South Carolina Department of Health and Environmental Control (DHEC) to provide water service to 70 customers. Upon DHEC approval after additional treatment, Wessex will have the plant capacity to serve 163 customers.

3. Wessex presently has 38 mobile home customers. According to Mr. Singleton, on average Wessex's customers use 4,500 gallons of water per month. According to its Application, Wessex estimates that in serving 163 customers, the Company will have total operating expenses of \$23,717.55.

4. Wessex proposes to charge a monthly service charge for single family mobile homes. Wessex proposes a \$15.00 minimum charge for the first 5,000 gallons of water used and an additional \$1.00 per 1,000 gallons used over 5,000 gallons. Wessex proposes that its discontinuance and reconnection charge and its late payment charge model the approved charges in the Commission's Rules and Regulations. Wessex proposes that "[a]ll other rates and charges to be negotiated." At the hearing Mr. Singleton testified that the proposed negotiated rates were for business customers. Mr. Singleton further testified that he understood that any rate Wessex intended to charge had to first be approved by the Commission.

5. According to its Application, if the Commission approves its proposed rates and charges, the Company will have an operating margin of 19.41%. This operating margin uses an operating revenue which is based on total plant capacity of 163 customers.

CONCLUSIONS OF LAW

1. The Commission exercises general supervisory and regulatory jurisdiction over public utilities such as Wessex in respect to approval of service areas and establishment of rates and charges pursuant to the following statutory mandate:

§58-5-210. Supervision and regulation of rates and service.

The Public Service Commission is hereby, to the extent granted, vested with power and jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the power, after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices and measurements of service to be furnished, imposed, observed and followed by every public utility in this State and the State hereby asserts its rights to regulate the rates and services of every "public utility" as herein defined.

S.C. Code Ann. §58-5-210 (1976).

2. Wessex is a public utility within the meaning of S.C. Code Ann. §58-5-10(3)(1976) if it sells water service to the public for compensation.

3. The Commission finds that there is a need for water service in the area of Sumter County where Wessex seeks approval of a service area. The Commission further finds that Wessex has been providing water service, without a monthly charge, to its customers over the past several years. The Commission concludes that Wessex is fit, willing, and able to provide the proposed water service in the requested service area.

4. An application for approval of the establishment of initial rates and charges must, of necessity, be based upon

estimates and projections. The Commission must determine, on the basis of the evidence in the record and the application of its own expertise, whether those estimates and projections are an adequate basis for rates and charges which are just and reasonable.

5. The three fundamental criteria of a sound rate structure have been characterized as follows:

...(a) the revenue-requirement or financial-need objective, which takes the form of a fair-return standard with respect to private utility companies; (b) the fair-cost apportionment objective which invokes the principle that the burden of meeting total revenue requirements must be distributed fairly among the beneficiaries of the service; and (c) the optimum-use or consumer rationing under which the rates are designed to discourage the wasteful use of public utility services while promoting all use that is economically justified in view of the relationships between costs incurred and benefits received.

Bonbright, Principles of Public Utility Rates (1961), p. 292.

In applying the above-referenced principles, the Commission must balance the interests of the utility--the opportunity to make a profit while providing adequate service--with the interest of its customer--to receive adequate service at a fair and reasonable rate.

6. The Commission approves the Company's proposed rate of \$15.00 per month for the first 5,000 gallons of use and \$1.00 per each 1,000 gallons used thereafter. The Commission concludes that this rate will encourage consumer rationing and discourage wasteful use of Wessex's services. Upon reaching its plant capacity, these approved rates will allow the Company to earn an

operating margin of 19.41%.¹ See Table A.

Table A

OPERATING MARGIN

At Plant Capacity

Operating Revenue	\$ 29,430.00
Operating Expenses	23,717.55
Net Operating Income	5,712.45
Customer Growth	-0-
Total Income for Return	<u>5,712.45</u>
Operating Margin (After Interest)	19.41%

7. The Commission disallows the Company's request for automatic approval of negotiated rates and charges. Instead, the Company shall submit negotiated rates and charges to the Commission for its approval pursuant to 26 S.C. Regs. 103-703(B)(1976).

IT IS THEREFORE ORDERED:

1. That Wessex Water Company is granted a Certificate of Public Convenience and Necessity to operate as a water utility in Sumter County, South Carolina.

1. The Commission recognizes that, based on the revenues derived from the Company's present 38 customers and with appropriate adjustments to the Company's estimated expenses for 38 customers (customer collection, uncollectibles, gross receipts, state and federal taxes), Wessex's actual operating margin will be (211.23%). See Table B.

Table B

OPERATING MARGIN

Operating Revenue	\$ 6,840
Operating Expenses	21,288
Net Operating Income	(14,448)
Customer Growth	0
Total Income for Return	<u>(14,448)</u>
Operating Margin (After Interest)	(211.23%)

2. That the schedule of rates and charges for Wessex Water Company as set forth in Appendix A is approved and may be charged for service rendered on or after the date of this Order.

3. That Wessex Water Company shall maintain its books and records for its water operations in accordance with the NARUC System of Accounts for Class B Utilities.

4. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

WESSEX WATER COMPANY

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APPENDIX A

SCHEDULE OF RESIDENTIAL WATER RATES AND CHARGES

Type of Residence: Single family mobile home

Monthly Service Charge

Minimum which includes up to 5,000 gallons	-	\$15.00
All over 5,000 gallons	-	\$ 1.00 per 1,000 gallons

SCHEDULE OF D/R FEE AND LATE PAYMENT CHARGE

Discontinuance and Reconnection Charge (SCPSC Rule 103-732.5)	-	\$10.00
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Late Payment Charge (SCPSC Rule 103.732.3)	-	1 1/2% of unpaid balance remaining 25 days after billing date.
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